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Questions and Answers-Copyright Column

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LEGAL ISSUES

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Cases of Note — Copyright — To Exploit or Not to Exploit; That is the Question

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RIGHTHAVEN LLC V. WAYNE HOEHN, UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT, 2013 U.S. App. LEXIS 9413.

Righthaven was an LLC formed for the purpose of suing bloggers for posting news articles without authorization. After a targeted blogger posted an article, the newspaper — *Las Vegas Review-Journal* — would assign copyright to **Righthaven** subject to rights of reversion. Their Strategic Alliance Agreement (SAA) really only assigned the right to sue.

And here we see the death gasp of the print news industry. The paper could have hired the lawyers to sue. But they must have wanted to conceal their role.

And now we get an attempt at homespun humor. The circuit judge tells the tale of ol' Rail-splitter **Abe Lincoln** telling the tale of a lawyer trying to establish a calf had five legs by calling the tail a leg. But old **Abe** sagely observed that calling a tail a leg does not make it so. And thus the 9th Circuit sagely notes that calling someone a copyright owner does not make it so.

Wayne Hoehn and **Thomas DiBiase** are our defendants in question with their cases consolidated on appeal. The district court found in each case that **Righthaven** lacked standing to sue as it was not the owner of any of the exclusive rights under copyright law. In the **Hoehn** case, the judge found that fair use was available as a defense in the alternative.

And whups! We find that **Dibiase** is a practicing lawyer and was once an assistant U.S. attorney. Not a good candidate for a quick settlement shake-down. He runs a blog about murders where no body is found.

And it's fairly interesting. Check it out.

Stephens Media — owner of the *Review-Journal* — entered into the SAA with **Righthaven** reserving a strict veto right on who was sued. **Righthaven** could not exploit the copyright in the usual ways or participate in copyright royalties. And after all was settled with a suit, **Righthaven** was to reassign copyright to Stephens.

Only the "legal or beneficial owner of an exclusive right under a copyright" has standing to sue. See 17 U.S.C. § 501(b); *Silvers v. Sony*

Pictures Entertainment, Inc., 401 F3d 881,890 (9th Cir. 2005) (en banc).

In law school I always used to think it was so cool to put "en banc" in a citation. It seemed to resound with the majesty of the law.

Section 106 lists the exclusive rights: reproduce; do derivative works; sell, rent, lease, lend copies. And *Silvers* addresses the very issue we have here. The bare right to sue for infringement does not confer standing.

Yes, some really super legal research on the parts of Righthaven and Stephens' in-house counsel. But, hey, it's Vegas. You can easily see the screenplay for the movie version of this.

Righthaven points to the SAA language "all copyright requisite to have **Righthaven** recognized as the copyright owner of the Work for purposes of **Righthaven** being able to claim ownership as well as the right to seek redress for past, present, and future infringements of the copyright ... in and to the Work."

Now, shall we lean down from the bench, sigh, and remind **Righthaven's** counsel of country lawyer **Abe** and the five-legged calf? Yes, let's.

You have to look beyond the labels to the substance and effect of the contract. **Stephens Media** retained "the unfettered and exclusive ability" to exploit the copyright. **Righthaven** had no right to exploit.

And **Righthaven** continued to tap dance. **Righthaven** was given full ownership under the assignment, see? But then the SAA granted **Stephens** an exclusive license. So they had copyright? Right?

No. Even if they did, in granting the exclusive license to **Stephens**, **Righthaven** no longer had the exclusive rights. And only the exclusive licensee can sue for infringement. 3 M. Nimmer & D. Nimmer, *Nimmer on Copyright* § 12.02[C] (2012).

This whole thing was so in the news there for a while. But stop and think. Is there any real exploitation of Vegas-Journal news articles possible after the day's issue becomes fish wrap?

So all this time and money were squandered flailing at those pesky bloggers of the new media who are making life so gosh-darned unpleasant for the stuffy, geriatric old media. 🐼

Questions & Answers — Copyright Column

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QUESTION: *The U.S. Supreme Court decided **Kirtsaeng v. John Wiley & Sons** on May 19, 2013, in favor of **Kirtsaeng** who was sued for infringing Wiley's copyrights when he imported and sold in this country foreign editions of Wiley's textbooks sent to him by his family from Thailand. The*

Court held that the first sale doctrine was not limited to within the United States. (See http://www2.bloomberglaw.com/desktop/public/document/Kirtsaeng_v_John_Wiley_Sons_Inc_No_11697_2013_BL_71417_US_Mar_19/1) What is the

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likely outcome for libraries? For publishers?

ANSWER: Publishers often produce cheaper copies of their works using less expensive paper, binding, etc., and sell them abroad at a reduced price. This was an interesting case because **Kirtsaeng** made more than \$1 million from his resale activities, unlike libraries that sell copies of works that are no longer needed for their collections. The Supreme Court reversed the Second Circuit, U.S. Court of Appeals which held that the first sale doctrine, embodied in section 109(a) of the **Copyright Act**, did not apply outside of the United States and therefore the publisher could prevent importation of these copies. The first sale doctrine holds that royalties are due to the copyright owner only for the first sale of a work; thus, when books are resold, lent by libraries, etc., no further royalties are paid.

Library associations filed an amicus brief in the case asking the Court to hold that the first sale doctrine applied to copies that were lawfully acquired abroad. Libraries feared that a publisher that wanted to control application of the first sale doctrine, could simply move manufacturing off shore which would eliminate library reliance on the first sale doctrine to lend digital works and sell unwanted ones.

Some writers believed that the Supreme Court would support **Wiley's** position, but others called it correctly that the first sale doctrine would trump section 602(a) which says that unauthorized importation into the United States of copies of works acquired outside the country is an infringement of the exclusive right of distribution. The 6-3 decision has raised the specter that there may be legislation to deal with the matter. It would not be beneficial to society if the impact of this decision discouraged publishers from producing inexpensive foreign editions of their textbooks to sell to people who cannot afford U.S. prices. But libraries must be able to lend materials and sell withdrawn copies.

QUESTION: *A university attorney asks why there is a difference in section 108 of the Copyright Act between subsections (c) and (e) concerning whether the library must consider used books as replacement copies under (c) or copies for users under (e).*

ANSWER: Under subsection (c), the language of the statute itself indicates that to make a replacement copy, the library must first conduct a reasonable investigation to determine that an "unused" copy cannot be obtained at a fair price. Thus, the **Act** recognizes that a used copy does not necessarily fulfill the same purpose as the original copy. This does not mean that a library might not decide that a used copy would work as a replacement copy and could purchase it. Further, it is much easier to find used copies online than it was in pre-Internet days.

Section 108(e) provides an exception that permits libraries to reproduce an entire work or a substantial portion thereof if certain con-

ditions are met. The first condition is that the library must conduct a reasonable investigation to determine that a copy cannot be obtained at a fair price. The statute does not use the word "unused" which presumably means that a used copy would satisfy the patron who is requesting the work. Congress certainly could have specified that the search be only for an unused copy as it did in subsection (c), but it did not. This leads to the conclusion that the library must also search for a used copy for the user before reproducing the work.

Section 108(h)(2)(B) applies only to works in the last 20 years of a work's term of protection, and it contains a similar provision concerning a search. It also does not use the word "unused" and mysteriously substitutes "reasonable price" for "fair price." So, presumably a library would also have to look on the used copy market before reproducing the work.

QUESTION: *An instructor for a course titled the History of American Sexualities asks about splicing segments of the film "A Florida Enchantment," a film originally produced in 1914. The Library of Congress republished the film on videotape in 1993. The Media Resource Center at his institution said that it would not allow him to do this unless the film was available through public domain. May parts of this film be recorded without copyright infringement?*

ANSWER: If the film is in the public domain, then the instructor may copy even the entire film at will. Based on the date, it does appear to be in the public domain. Even if the copyright in the film was renewed after the first term of copyright, 56 years is the longest that it could have been protected. Thus, it would have entered the public domain in 1970. The **Library of Congress** videotape version would have a new copyright only for any new material added since it was a copy of the original and not really a new version.

Even if the work were still under copyright, the segments might be reproduced and used for teaching purposes. If the course is taught face-to-face and the instructor is showing the film to the class from a spliced DVD, section 110(1) of the **Copyright Act** applies and likely would permit the reproduction of a fair use portion of the film. If the instructor is using a course management system to show films,

or if the course is taught online, then section 110(4) applies and "a reasonable and limited portion" of a video may be performed. The statute even allows copying of the reasonable and limited portions.

QUESTION: *Does the first sale doctrine apply to digital works? How are companies like ReDigi able to permit the resale of these works?*

ANSWER: The former **Register of Copyrights**, **Marybeth Peters** opined that digital copies were not subject to the first sale doctrine. Her reason is that the doctrine was meant to apply to tangible copies where the actual physical work is transferred to another. In the digital world, however, if one gives another person his e-copy, it is not the same copy that he had even if he deletes it from his device. The question now is whether this matters or should matter?

For many digital works, the license agreement controls and the first sale doctrine does not even come into play. Both **Amazon** and **Apple** have recently obtained patents for the exchange of digital materials which has made publishers extremely nervous. **ReDigi**, a company that allows the reselling of iTunes songs, has been in the news recently because it has been sued by **Capitol Records**. **ReDigi** tried a friendly approach to recording companies by requiring, for example, that any money a consumer made from selling an iTunes song had to be spent on new songs. Similarly, the **Amazon** and **Apple** patents allow only one copy of an electronic product to exist at any one moment.

Is the resale of digital works a good idea? Certainly, it is for libraries and consumers. Authors are concerned, however, that resale of digital works will hurt the sale of new books and could even lead to unrestrained reproduction of digital works. Interestingly, a similar concern was expressed

with **Amazon** began to offer used books for sale. The parade of "horribles" from the on-line sale of used books has not been realized, though. The judge in the **ReDigi** case refused to issue a preliminary injunction against **ReDigi**, and a decision in the case is expected soon. 🐼

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tions in client services, technical services, and electronic sales with various leading information companies including **Swets Information Services**. **Georges** will be based in Ottawa, Ontario, and may be reached by email at <sarazin@midwestls.com> or by phone at (613) 799-3858.

Hear via the GV that the incredibly awesome **Liz Lorbeer** is the new (and right now only) librarian for the new medical school at **Western Michigan University** in Kalamazoo, MI. The school will open in the fall 2014 so **Liz** will spend the next year building a collection to support the faculty already on board in affiliated hospitals and the like. Exciting!

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